



The Witch-Hunt Against Online Gambling: Why the United States Government Hasn't Regulated Internet Gaming and Why States' Rights Are Being Trampled.

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The Witch-hunt against Online Gambling: Why the United States Government Hasn't
Regulated Internet Gaming and Why States' Rights Are Being Trampled.

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Abstract

This study investigates why the United States Government and other parties have systematically targeted online gambling/poker since its inception. Gambling is and always has been a divisive issue, but for the most part the US Government has always sided with the gambling prohibition movement. Current political officials are continuing this trend, even though their allegiances and small-government belief should put them on the other side of the aisle. Politicians are easily swayed on particular issues based on what they think can be given to them in terms of campaign support through endorsements or money. Within this thesis, I expose this hypocrisy among some of the most widely known American politicians, as they have without question sold their beliefs to big business and wealthy moguls. Behind the scenes, however, there may be an even more sinister group of people who are pushing prohibition for other motives, but mainly due to avarice. Within this text you will see how the US has strong-armed smaller, weaker nations, made the World Trade Organization look incompetent and incapable of enforcing decisions, and paid employees of casinos to track spending habits of Chinese politicians so they can blackmail them. All of this is of course done in the name of morality, public safety, and anti-corruption. However, public safety cannot be argued if politicians decry online gambling but take campaign contributions from casino owners;

corruption and money laundering can not be the danger posed to Americans if the government makes exceptions for gambling on horse racing and fantasy sports over the Internet, and morality certainly has to place in an American politicians reasoning if they are willing to decimate a small, island nation's workforce through illegal sanctions based on moral grounds. Much of this thesis presents absolute facts. Some of it speculates and infers. I hope the reader can make up his or her own mind and come to his or her own conclusion.

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Chapter I

Introduction

Before I go into the nuts and bolts on this thesis, it is important to understand the history of gambling in the United States. Gambling first became an attractive form of entertainment in the “wild west.” Local card games could be found at saloons across the West where card-sharks battled each other on the felt for pride, recognition, and most importantly, money. Riverboat casinos also became popular in the mid-nineteenth century as southern plantation owners carrying large sums of money derived from cotton sales headed home down the Mississippi. By the 20th century, gambling had been outlawed throughout the United States. However, in 1931, Nevada became the first state to reintroduce legalized gambling. As the 20th century progressed, gambling became more widely accepted in America. Yet, there was still a significant vocal opposition who raised concerns relating morality and vice in opposing legalized gambling.¹ Nevertheless, according to John H. Ogwyn, “in 1993 gambling overtook baseball as the U.S. national pastime. That year, for the first time, Americans made more trips to casinos (92 million according to a study cited by *U.S. News & World Report*) than to major league baseball parks.”² By 2006, gamblers spent \$57 billion, exceeding spending and sales on movie tickets, music records, McDonalds, Burger King, Wendy’s, and Starbucks combined. By this time, the vocal minority that viewed gambling as morally

¹ John H. Ogwyn, “Study Topic: Legalized Gambling: Economic Boom or Social Bust?” <http://www.tomorrowworld.org/magazines/2001/july-august/legalized-gambling-economic-boom-or-social-bust> (Cited May 12 2015).

² Ibid.

reprehensible had dwindled down to twenty-eight percent of Americans. While this figure represents a large percentage of Americans, the country's attitude towards gambling has plainly shifted over the course of the past century.³

In the 1990's the Internet exploded on to the world stage. Many entrepreneurs rightly saw the Internet as a moneymaking machine, and business after business launched websites in an attempt to cash in through a computer. Gambling entrepreneurs soon followed. In 1995, the first online gaming sites were launched. It did not take long for other entrepreneurs to realize that there was a potential for a large market. By 1996, there were fifteen "I-gaming" websites and by 1997, the number of "I-gaming" websites had increased to two hundred. A Frost & Sullivan report revealed that by 1998, online gaming revenues had exceeded \$830 million.⁴ Although online gaming had, by this time, attracted a substantial audience, it remained a new, an intimidating proposition that was difficult for the casual gambler to trust. Online gaming needed a catalyst to move it from hardcore, tech-savvy gamblers into the mainstream.

On January 1, 1998 online poker, played for real money, made its debut. The name of the first website was Planet Poker, and by the summer of 1998, Planet Poker had developed a large enough following to offer around-the-clock action to its players.⁵ Over the next few years, other websites like Party Poker, Paradise Poker, and Poker Stars joined the market. Before long, poker had garnered a great deal of attention globally and

³ Heather Vacek, "The History of Gambling" <http://www.baylor.edu/content/services/document.php/144593.pdf> (Cited May 12, 2015).

⁴ Jonathan Parke, Robert J. Williams, and Robert T. Wood, *Routledge International Handbook of Internet Gambling*, (Cited May 12, 2015).

⁵ Jonathan Wanchalk, "The History of Online Poker—a Recap of the Last 12 Years," <http://www.bestpokersites.org/blog/the-history-of-online-poker-a-recap-of-the-last-12-years/226/> (Cited April 1, 2014).

particularly in America. Poker was shown on television seemingly around the clock. Commercials and advertisements touting online poker became ubiquitous, and millions of new players picked up the game. What happened exactly to spawn this explosion of poker enthusiasts?

With all of the new players logging on to play on the virtual felt, a new age had dawned for poker. As the player pool increased in size, so too did the amount of money up for grabs. In 2003, Poker Stars introduced “satellite” tournaments: small buy-in tournaments that offered players the opportunity to win his or her way into large, in-person tournaments at casinos around the world, which the casual player would otherwise not be able to afford. In 2003, Chris Moneymaker, a young man from Tennessee, with a made-for-poker name, qualified for the World Series of Poker Main Event, a tournament with a \$10,000 entry fee, and the most notable poker tournament in the world, through a Poker Stars satellite tournament. Moneymaker’s initial investment was a mere \$39. Ultimately, in front of the world, Moneymaker parlayed his thirty-nine dollar investment into 2.5 million, winning the World Series of Poker Main Event. The “poker boom” had officially begun.

After Moneymaker won the 2003 WSOP Main Event, millions of other small stakes players, who could never afford a \$10,000 buy-in to the Main Event, found online poker as a vehicle to their prosperity. Dubbed the “Moneymaker Effect” by the poker community, Moneymaker’s impact on the poker world is without question the single most influential moment that contributed to the poker boom. After Moneymaker’s win, online poker revenues grew dramatically between 2000 and 2005 (\$82 million to more

than \$2 billion).⁶ In 2003, the year Moneymaker won the World Series of Poker, there were 839 players in the tournament. In 2004, there were 2,576 entrants. In 2005, there were 5,619 entrants.⁷ Many of these players qualified through online satellites just as Moneymaker had. Poker had officially legitimized online gaming.

However, in 2006, just as things were going well for online gambling, the Unlawful Internet Gambling Enforcement Act (UIGEA) was added as Title VIII of the Safe Port Act, a bill that was intended to improve maritime security. Sarah Polson points out:

The UIGEA was added to the SAFE Port Act by Senate Majority Leader Bill Frist (R - Tenn.) as Congress was trying to finalize the legislation before breaking for the campaign season. The amended version does not criminalize the act of online gambling, but instead prohibits people from using their U.S. financial institutions and other banking tools such as credit cards, checks, or funds transfers to deposit or withdraw money at Internet gambling sites.⁸

Advocates of the UIGEA suggested that national security was at risk from online gaming. Those advocates pointed to the FBI's warning that online poker could be used as a medium for laundering money, possibly to terrorists. Jacqueline Lee writes, "according to four anti-gambling experts, legalizing online poker could open up a new source of financing for terrorist attacks on America and America's allies."⁹

⁶ Jeremy Singer-Vine, "The Moneymaker Effect: How Online Poker Got So Popular," http://www.slate.com/articles/news_and_politics/explainer/2011/06/the_moneymaker_effect.html (Cited April 1, 2014).

⁷ Singer-Vine, "The Moneymaker Effect."

⁸ Sarah Polson, "Bush Signs Port Security, Online Gambling Bill," <http://www.pokerlistings.com/bush-signs-port-security-online-gambling-bill> (Cited April 1, 2014).

⁹ Jacqueline Lee, "Threat Networks/Cyber: Bing Bang Blaow: Online Poker Could Open Up Money Laundering Floodgates for Terrorism" <http://www.mobilecommerceinsider.com/topics/mobilecommerceinsider/articles/365753-bing-blaow-online-poker-could-open-money.htm> (Cited April 1, 2014).

However, politics also contributed to this act being passed. Polson adds:

The members of the Republican Party in both the House and the Senate had made online gambling an important issue this year—a decision many believe was prompted by the need for more conservative votes during the election year. To get the bill passed before the election, Frist managed to get it attached to the SAFE Port Act, which was considered “must-pass” legislation.¹⁰

As a result of the UIGEA’s passage, Party Poker, a company, which through the online poker boom had grown large enough to be listed on the London Stock Exchange, abandoned the US market. Party Poker’s stock plummeted as a result and the company lost more than 70% of its value in 24 hours following the company’s sudden exit from the US market.

In the wake of the UIGEA, Full Tilt Poker and Poker Stars decided to remain in the US market. As a consequence of that decision, those two websites became the two largest online poker sites in the world, by far. Figure 1 shows the market share for Poker Stars and Full Tilt for the years 2008-2010. Other websites that were focused on forms of gaming other than poker also continued operating, offering sports, horse, and casino style betting. None of these other sites were as large or successful as Poker Stars or Full Tilt Poker.

On April 15, 2011, a date that became widely known within the poker world as “Black Friday”, Poker Stars’ and Full Tilt’s run as the top American online poker sites abruptly ended. The watershed event that caused this change was the United States Department of Justice’s decision to seize the domain names of the three largest poker sites in the world, Poker Stars, Full Tilt Poker, and Cereus (Absolute Poker/Ultimate Bet). This action was the result of the criminal case filed against the founders (and their

¹⁰Polson, “Bush Signs Port Security.” (Cited April 1, 2014).

key associates) of these websites. The criminal case was titled *United States v. Isai Scheinberg, et al.*, 10 Cr. 336 (2011). In that case, the prosecution alleged that the defendants violated the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA), while also participating in bank fraud and money laundering.¹¹ A civil suit titled *United States v. Poker Stars, et al.*, 11 Civ. 2564 (2011) accompanied the criminal case, and sought the forfeiture of \$3 billion worth of assets from the three major poker sites.¹² The foreseeable result of Black Friday and its aftermath was that thousands of poker players lost their jobs overnight. Their player accounts, which in many cases contained sizable balances, were frozen, with no guarantee that the monies therein would ever be recouped. In carrying out these actions, the US joined a dubious group of countries like China, Iran, and Turkey in putting into place bans and firewalls, precluding citizens from participating in online poker. It is frightening to think that the same group of countries America has joined in its position relative to online poker also have similar Internet bans and firewalls for Twitter, Facebook, and other social media websites. It is worth noting, that the UIGEA was not the first piece of legislation that tried to eliminate online gambling, it was simply the first one to pass. As of July 2015 there have been twenty-four pieces of anti-online gambling legislation introduced dating back until 1995.¹³

¹¹ *United States v. Isai Scheinberg, et al.*, 10 Cr. 336 (2011). <http://www.fuerstlaw.com/wp/wp-content/uploads/2011/04/Internet-Poker-Indictment-US.-v.-Scheinberg-et-al.pdf>. (Cited April 1, 2014).

¹² *United States v. PokerStars, et al.*, 11 Civ. 2564 (2011). <http://docs.justia.com/cases/federal/districtcourts/newyork/nysdce/1:2011cv02564/377900/240/0.pdf?1343828051>. (Cited April 1, 2014).

¹³ Jonathan Parke, Robert J. Williams and Robert T. Wood, *Routledge International Handbook of Internet Gambling*, (Cited May 12, 2015).

Fig 1. Poker Stars and Full Tilt Market Share 2008-2010

Year	Poker Stars Market Share	Full Tilt Market Share
2008	30.53%	14.65%
2009	36.05%	19.45%
2010	40.96%	21.73%¹⁴

¹⁴ Ingo Fiedler and Ann-Christin Wilcke, "The Market for Online Poker," http://www.academia.edu/724198/The_Market_for_Online_Poker (Cited April 1, 2014).

Many opponents of the UIGEA questioned the legislation's applicability to poker on the grounds that poker, unlike other forms of casino gambling involves a "player against player" dynamic, rather than "player against house." Accordingly, a player's skill plays a much larger role in his or her end result as compared to other forms of casino gambling such as blackjack or roulette. The argument follows that poker falls outside of the scope of the UIGEA because poker is a game of skill rather than a game of chance. Andrew Nevill illustrates that, "the UIGEA provides a definition for a bet or a wager, describing the term as 'The staking or risking by any person of something of value upon the outcome of a contest of others, a sporting event, or a game subject to chance.'"¹⁵ "Most jurisdictions outside of the US apply the Dominant Factor Test to determine if a contest is a lawful game of skill or unlawful game of chance. Under that test, if skill determines the outcome more than fifty percent of the time, the contest is considered a game of skill, and is legal."¹⁶ That test, however, faces significant challenges in practical application as a great deal of ambiguity and uncertainty exists in determining skill, short-term good or bad luck, and predominance. Nevertheless, as Howard Lederer illustrates:

If we are testing the predominance of two things and one of those things is determined to be 60% and the other 40% of an outcome, then it makes no sense to say that the thing that is 40% is predominant over the thing that is 60%. Therefore, as long we can prove that skill is 51% over chance in determining the outcomes of poker hands, we should satisfy the legal test of predominance. Hence, because the law defines gambling as "the staking or risking by any person of something of value...on a game subject to chance"¹⁷

¹⁵ Andrew M. Nevill, "Folded Industry? Black Friday's Effect on the Future of Online Poker in the United States," <http://illinoisjltlp.com/journal/wp-content/uploads/2013/05/Nevill.pdf> (Cited August 10, 2014).

¹⁶ James Mcmanus, "Full Tilt Boogie: The UIGEA and You," <http://grantland.com/features/uigea-you/> (Cited August, 8 2014).

¹⁷ Howard Lederer, "Poker Is a Game of Skill," <http://gpsts.org/poker-game-of-skill-part-2/> (Cited April 1, 2014).

If it could be shown that poker passes the predominance test, one could confidently argue that poker should not be affected by the UIGEA.

As elaborated upon above, poker easily passes the predominance test. It is the classic American card game that rewards study, heart, courage, and awareness. Online Poker was an industry that was expected to generate estimated tax revenue of \$62.7 billion over the next 10 years for the United States.¹⁸ So then, why have Senators, Representatives, Governors, the Department of Justice, bankers, behind-the-scene actors, and the United States Government as a whole been trying to crackdown and make an example of an industry that is so quintessentially American?

One of the more interesting cases involving online gambling occurred when the small country of Antigua and Barbuda brought a complaint against the US before the World Trade Organization (WTO) in 2003. Antigua claimed that recent laws passed by the US violated laws that subsequently restricted credit card companies' involvement in payments related to online gambling. This action virtually eliminated Antigua's online gambling business as the vast majority of its customers came from the US. Antigua, which employed about 5% of its 90,000 residents in the online gambling market, was crippled by this action. In response, Antigua filed a claim that said that the US violated US services commitments under the General Agreement in Trade and Services (GATS) Article XIV.¹⁹ George Hamann writes that Antigua claims that the new laws:

¹⁸ Charles P. Ciaccio Jr., "Internet Gambling: Recent Developments and State of the Law," http://www.btlj.org/data/articles/25_1/0529-0554%20Ciaccio_Web.pdf (cited April 1, 2014).

¹⁹ George Hamann, "Replacing Slingshots with Swords: Implications of the Angua-Gambling 22.6 Panel Report for Developing Countries and the World Trading System," <http://www.vanderbilt.edu/jotl/2012/07/replacing-slingshots-with-swords-implications-of-the-antigua-gambling-22-6-panel-report-for-developing-countries-and-the-world-trading-system/> (Cited August 10 2015).

Were discriminatory in their impact on Antigua's economy because the proposed US ban on the use of credit cards and other financial instruments for Internet gambling effectively bans the supply of any offshore gambling and betting services to the US, while gambling institutions in the US remained unaffected. Thus, Antigua took the position that the law was an internal regulation that acts primarily as an external trade barrier, closing off the U.S. gambling and betting services market from foreign providers.²⁰

Over the course of the next decade, this battle has ensued. However, the WTO has ruled in favor of Antigua in November 2004, April 2005, August 2005, and in March of 2007. Ultimately, the WTO ruled that the US owed Antigua \$21 million, which the US has yet to pay. This case was appealed to the top of the WTO court system, which ruled that the US could implement this ban on foreign gambling enterprises operating in the US only if they repealed the Interstate Horseracing Act (IHA). This was never done, which raises the question: Why? However, when looked at from the bigger picture, it becomes clear that the US had a stranglehold on the horse racing market, so they were not in competition with anyone. With a virtual monopoly on gambling wagers placed on horse racing, there was no reason to overturn it. It is all a money grab, plain and simple. The US was worried about money leaving the country, so they put a stranglehold on a tiny island nation that, in the grand scheme of things, garnered virtually no power over US interests. This shows exactly why the government began to crack down on online gambling. Too many operators were based overseas, and the US wanted their piece of the pie. So as the years went by, the US continued its abuse of power until virtually all online gambling in the US became banned.

Poker was the most visible form of gambling on the Internet in the US; therefore, it became the focal point of crusaders against online gaming. When the government

²⁰ George Hamann, "Replacing Slingshots with Swords."

cracked down on online gaming for a multitude of reasons, poker became the easy target and the predictable scapegoat. Destroying the burgeoning micro-industry that was online poker was acceptable “collateral damage” in the grand scheme of the fight for control of online gambling. The one true form of skilled gambling got lumped in with roulette and slot machines because it had the greatest notoriety, which made it the easiest target within the world of online gaming. Active online poker players in the US totaled 1,428,823 between September, 2009 and March, 2010. This does not include others who were not active during this time period and people who did not play for real money.²¹ The wrath of the government closed in on the US poker world in April of 2011 and federal regulations have not been passed since. However, other developments have occurred since then. The reinterpretation of the Wire Act of 1961 has been good for the online gambling industry as it opened the doors for intrastate gaming if states pass laws allowing it. This reinterpretation made it possible for the people pulling the strings to finally get their hands on the money they have been trying to grab for nearly two decades. Strangely enough, though, other legislation and a billionaire activist show how important money in politics really is.

²¹ Fiedler and Wilcke, “The Market for Online Poker.”

Chapter II

Sheldon Adelson and Company

Sheldon Adelson is the chairman and chief executive officer of the Las Vegas Sands Corporation, a large company that owns many hotel/casinos around the world. Adelson has amassed a \$36.4 billion fortune making him the 8th richest person in the world. Adelson gained political attention in the 2012 elections by donating approximately \$100 million to Republican politicians, conservative causes, and Political Action Committee's (PACS). Adelson has vowed to spend even more in the 2016 elections. His outspoken desire to assist in placing a Republican into the White House has caused quite a stir amongst potential candidates. Because of his immense wealth, there is virtually no limit on the financial contributions Adelson can donate. With that said, in March of 2014, the Republican Jewish Coalition held an event at Adelson's Venetian hotel in Las Vegas, which was quickly dubbed the "Adelson Primary" because of the laundry list of potential GOP presidential hopefuls in attendance. Dan Alexander wrote: "Attendees included heavy hitters like New Jersey Gov. Chris Christie, Wisconsin Gov. Scott Walker, Ohio Gov. John Kasich and former Florida Gov. Jeb Bush."²² Adelson's main domestic legislative priority is online gambling; he has adamantly opposed online gambling. Given Adelson's abundant resources, history of generous

²² Dan Alexander, "Super Donor Sheldon Adelson Made \$2.1 Billion In 2 Days Since 'Adelson Primary,'" <http://www.forbes.com/sites/danalexander/2014/04/02/super-donor-sheldon-adelson-made-2-1-billion-in-2-days-since-adelson-primary/> (Cited March 15, 2015).

political donations, and already notable political clout, it is no surprise that many prominent politicians have joined his crusade against online gambling.

Ironically, although Adelson has amassed his fortune by providing venues for individuals around the world to gamble, Adelson is one of the largest single opponents of online gambling in the United States. He has called online gambling “a train wreck. It’s really toxicity. It’s a cancer waiting to happen.”²³ Not only that, but Adelson has specifically singled out poker over other forms of gambling. When asked about the “skill v. luck” debate in regard to poker, Adelson stated that the argument that poker is predominated by skill as “a bunch of baloney. To get a card is not skill based.” Adelson also said poker is “one of the most addictive games.”²⁴ Adelson maintains that his unwavering hatred of online gambling is not because it represents direct competition to his brick-and-mortar casino-empire, but rather because it allows gambling into the homes of everyone with no oversight. Adelson has also expressed concerns about underage people illegally betting money they do not have, and how online gambling targets the people who can least afford it. Adelson feels that the term, “click a mouse and lose your house”²⁵ should be the slogan for online gambling. Furthermore, Adelson believes that online gambling is not only a danger to society, but could “tarnish the industry’s business

²³ Joe Wiesenhal, “Casino Mogul Sheldon Adelson Goes on Huge Rant against Online Gambling, Calling It a Toxic, Trainwreck, Cancer Waiting to Happen.” <http://www.businessinsider.com/sheldon-adelson-attacks-online-gambling-2013-6> (Cited April 6, 2014).

²⁴ Steven Stradbrooke, “Sheldon Adelson says Poker ‘Most Addictive’ Game That Requires No Skill,” <http://calvinayre.com/2013/06/20/business/sheldon-adelson-says-poker-most-addictive-game-that-requires-no-skill/> (Cited March 15, 2015).

²⁵ Steve Bertoni, “Sheldon Adelson: Online Gambling Is Fools Gold,” <http://www.forbes.com/sites/stevenbertoni/2013/06/19/sheldon-adelson-online-gambling-is-fools-gold/> (Cited March 15, 2015).

model.”²⁶ Notwithstanding Adelson’s continuous harsh admonishment of online gambling, he actually obtained an online gambling license in one of the British Channel Islands in 2003. Actions speak louder than words. In Adelson’s case, his actions call into serious question the sincerity of his words.

Regardless of the actual motivation behind Adelson’s disdain for online gambling, he has commissioned many lobbyists, former and current politicians, and religious groups to join him in the fight against online gambling. These people range the gamut from current United States Senators like Lindsay Graham (R-SC) and Kelly Ayotte (R-NH), to Governors Rick Scott (R-FL) and Scott Walker (R-WI), and former Faith and Freedom official Gary Marx.²⁷ Adelson’s checkbook style recruiting of politicians and leaders of religious institutions is a strong tactical move. At least, from the observer’s point of view, their intentions are pure. However, when it comes to the politicians who have backed Adelson’s war on online gaming, one thing immediately stands out...and it isn’t morality.

Underneath the Sheldon Adelson umbrella includes many current and former politicians. On the surface online gaming is not an issue that is any more controversial than any other political issue. Of course, politicians will always have differing stances and positions on many issues. It is clear that the extent to which online gaming ought to be legal is debatable. Online poker though, which is not technically “gambling”

²⁶ Peter Wallsten and Tom Hamburger, “Sheldon Adelson, Top 2012 Donor, Launching Campaign Against Internet Gambling,” http://www.washingtonpost.com/politics/sheldon-adelson-top-2012-donor-launching-campaign-against-internet-gambling/2013/11/17/d70054f6-4e40-11e3-be6b-d3d28122e6d4_story.html (Cited March 15, 2015).

²⁷ Tom Hamburger, “Adelson’s Political Beneficiaries Adopt Casino Magnate’s Cause to Ban Internet Gambling,” http://www.washingtonpost.com/politics/adelsons-political-beneficiaries-attack-casino-magnates-bete-noire-internet-gambling/2014/05/07/7ff15aba-cf1a-11e3-937f-d3026234b51c_story.html (Cited March 15, 2015).

according to the predominance test and more importantly the UIGEA, should be left out of this debate. And yet, poker is lumped in with roulette, blackjack, and other forms of gambling and is still a point of contention for some politicians. As Barney Frank said, the feds were “protecting the public from the scourge of inside straights,” and that the government should “go after the people responsible for empty houses, not full houses.”²⁸ The people who were targeting “full houses” pointed to altruistic reasons for their stance on gambling and poker. However, it is difficult to ignore the fact that nearly every current US politician that has dug his or her feet into the ground on this issue has ties to Adelson.

On March 26, 2014 Senator Lindsay Graham introduced the Adelson-backed bill called the Restoration of America’s Wire Act (RAWA) (S.2159) in the Senate while on the same day, Jason Chaffetz [R-UT] introduced an identical bill (H.R.4301) in the House of Representatives. This legislation would overturn the December 23, 2011 decision by the United States Department of Justice (“DOJ”), which effectively reversed the Wire Act of 1961’s preclusion of intra-state online gambling. In turn, this DOJ decision led to three states, Delaware, Nevada, and New Jersey, to move forward with legalized online poker. The two bills, which were never heard, were reintroduced again by Chaffetz as H.R. 707, and were heard on March 26, 2015 in front of the Subcommittee on Crime, Terrorism, and Homeland Security, and Investigations, which is an extension of the House Judiciary Committee. The identical bill reintroduced by Chaffetz is also co-

²⁸ Brian Pempus, “Barney Frank Reacts to Online Poker Crackdown,” <http://www.cardplayer.com/poker-news/11164-online-poker-barney-frank-reacts-to-online-poker-crackdown> (Cited March 17, 2015).

sponsored by 16 other representatives, 11 of whom are on the House Judiciary Committee. The bill in part states:

Restoration of America's Wire Act — Amends provisions of the federal criminal code, commonly known as the Wire Act, to provide that the prohibition against transmission of wagering information shall apply to any bet or wager, or information assisting in the placing of any bet or wager (thus making such prohibition applicable to all types of gambling activities, including Internet gambling). States that nothing in this Act shall be construed to: (1) preempt any state law prohibiting gambling; or (2) alter, limit, or extend the relationship between the Interstate Horseracing Act of 1978 and other federal laws currently in effect, the ability of a state licensed lottery retailer to make in-person, computer-generated retail lottery sales, or the relationship between federal laws and state charitable gaming laws.²⁹

In respect to RAWA, it is worth examining the connection between some of the key players behind the legislation, and their respective connections to Adelson.

First, let us delve into Lindsay Graham. Graham is a peculiar case to take up the lead against online gaming. He has never been a champion against online gaming, and in fact, he has only once in his career as a politician (he was a representative for (SC 3rd district) from 1995 to 2003 and has been a senator since 2003) said anything about online gaming. In 2010 he did oppose a proposal to legalize online poker, but he has always held conservative views on social issues. Furthermore, up until he introduced his bill in March of 2014 he had not mentioned anything about repealing the DOJ's December 2011 reinterpretation of the Wire Act. Why the sudden newfound passion on this issue now? Well, Adelson might have something to do with Graham's new sheriff-like mentality.

Since 2009 "Graham has raised nearly \$31,000 from Adelson family members and Las Vegas Sands employees, according to a review of Federal Election Commission

²⁹ <https://www.congress.gov/bill/113th-congress/senate-bill/2159> (Cited March 17, 2015).

records.”³⁰ Additionally, Adelson hosted a fundraiser for Graham on April 30, 2013 at their Venetian hotel in Las Vegas. According to the event invitation, the Adelson’s hosted Graham at the exclusive “Paiza Club” for an evening reception and policy discussion. The event, which cost \$1,000 to attend, exclusively benefited Graham’s re-election campaign.³¹ Then on March 3, 2015 Adelson threw Graham another fundraiser. Graham, who in June 2015 announced his run for the White House in 2016, and has tested the waters through his political Committee, Security-Through-Strength, received yet another significant boost from Adelson as this fundraiser cost and \$1,000 to attend and \$2,700 to sit as an event co-chair.³²

Graham has said that he has not come to his hardline stance on this issue because of Adelson or, obviously, the money he has and could continue to raise, through Adelson. Graham actually does not shy away from his relationship with the casino tycoon even though having big money donors could rub many voters the wrong way. Graham does say that, “Sheldon has allied himself with most Baptists in South Carolina...and the fact that he is on board is a good thing—but I am doing this [backing legislation overturning the DOJ decision to overthrow the Wire Act interpretation] because this is what my governor, and my attorney general suggested I do.”³³ Graham does have a valid point as Adelson has been kind to religious Southerners; however, that is mostly due to ardent

³⁰ Hamburger, “Adelson’s Political Beneficiaries.”

³¹ Josh Israel, “After Casino Mogul Throws Him Big Money Fundraiser, Graham Seeks Internet Gambling Ban,” <http://thinkprogress.org/election/2014/03/20/3416865/lindsey-graham-sheldon-adelson/> (Cited March 26, 2015).

³² Daniel Lipmann and Mike Allen, “Top GOP Donors Sign on for Lindsay Graham Lunch,” <http://www.politico.com/story/2015/02/lindsey-graham-2016-elections-donors-115289.html> (Cited March 26, 2015).

³³ Hamburger, “Adelson’s Political Beneficiaries.”

support of Israel, which religious Southerners rarely disagree with. However, the phrase “Money Talks” runs as true in Washington as it does anywhere else in the world, and it is without question that Adelson has plenty.

The next major Adelson beneficiary over the years has been Florida Governor Rick Scott. Rick Scott is another important player in GOP politics and has been the governor of Florida since 2011. Scott is also a welcoming recipient of Adelson’s donations. Between 2010 and 2014 Scott received more than \$750,000 from Adelson according to Florida campaign finance records.³⁴ This included a one-time donation of \$250,000 to his re-election in June 2012, which would help Scott go on to narrowly defeat former Democratic Governor Charlie Christ by a 48.1% to 47.1% margin.

Adelson’s donating money to Republican candidates is obviously not unusual. As mentioned, like many other wealthy individuals, Adelson has given millions to candidates that he supported and wanted to see in office. However, if we look deeper into the contributions to Rick Scott and other beneficiaries in Florida, a new picture emerges. On May 29, 2014 Adelson donated \$2.5 million to a campaign committee opposing Florida’s Amendment 2, the ballot initiative to legalize marijuana for medical purposes.³⁵ Scott was a staunch opponent of the bill, and had spoken openly about his disdain for drugs. On the other hand, Adelson has described himself as being socially liberal and has supported a woman’s right to choose, same-sex couples’ right to adopt

³⁴ John M. Glionna, “Casino Magnate Sheldon Adelson Leads Charge against Online Gambling,” <http://www.latimes.com/nation/la-na-adv-adelson-online-gambling-20140521-story.html#page=1> (Cited April 1, 2015).

³⁵ Mary Ellen Klas, “Marijuana Battles Heats Up: Sheldon Adelson v. John Morgan,” <http://www.tampabay.com/blogs/the-buzz-florida-politics/marijuana-battles-heats-up-sheldon-adelson-v-john-morgan/2183742> (Cited April 1, 2015).

children, and same-sex couples right to marry.³⁶ On drugs, Adelson has never been outspoken on the topic and is far from an anti-drug crusader. In fact, Adelson has donated millions of dollars to Israel—a world leader in medical marijuana studies. Adelson’s money has helped further research into medical cannabis. In fact, he even has his own drug research center at Tel Aviv University, The Adelson Center for the Biology of Addictive Diseases, which has reportedly made many advances in studying how marijuana’s potential to mitigate brain injuries and alleviate symptoms of degenerative diseases like multiple sclerosis and Parkinson’s disease.³⁷ Indeed, in December of 2013 the Dr. Miriam and Sheldon G. Adelson Medical Research Foundation concluded that medical marijuana has the potential to help those suffering from multiple sclerosis.³⁸ With all of the research carried out at research facilities bearing Anderson’s name highlighting the potential benefits of medical marijuana, why would he donate \$2.5 million to oppose medical marijuana in Florida?

In early 2014, Scott was in negotiations with the Seminole Tribe to expand their brick-and-mortar casino enterprise in Florida. This was bad news for Adelson who hoped to build a large hotel casino in Florida in the near future. If the Seminole tribe were permitted to expand, they would get a jump on the market and would be the first to bring Las Vegas style casino/resorts to Florida. Toluse Olorunnipa illustrates that:

Currently Florida law limits gambling to eight Indian Casinos, which offer Las Vegas-style gambling with the exception of craps and roulette, along with 31 pari-mutuel facilities. Casino operators want lawmakers to

³⁶ Nancy Smith, “Why Is Sheldon Adelson Opposing Medical Marijuana,” <http://www.sunshinestatenews.com/story/why-sheldon-adelson-opposing-medical-marijuana> (Cited April 1, 2015).

³⁷ Klas, “Marijuana Battles Heats Up.”

³⁸ Smith, “Why Is Sheldon Adelson Opposing Medical Marijuana.”

authorize as many as three resorts in South Florida that would offer the same range of games as in Las Vegas....Casinos resorts which would feature hotels, meeting space, gambling and entertainment....³⁹

Adelson was openly contemplating constructing the world's largest casino in Miami with 750,000 square feet of meeting space. However, because last year was a delicate re-election year for Scott, he wanted to avoid signing a controversial bill, which subsequently put a halt to the gaming rewrite.⁴⁰ Initially, Adelson was angry at Scott's decision, but as we know, Adelson is savvy and understood the political situation at hand. Not long after Scott's decision to shut down talks about casino expansion, Adelson wrote the \$2.5 million check to oppose Amendment 2. It seems like a strange time to write the check, considering his hopes of building a casino in the state would have to wait until after the election, that is if Scott would even win the election. So what happened in the preceding months that may have caused Adelson to open up his checkbook to a cause that he had little to do with, and one that his own research facilities put him at odds with?

On April 22, 2014 just over a month before Adelson donated the money to oppose Amendment 2 Governor Scott penned a letter to the members of the Judiciary Committee and other members on the US House of Representatives and the US Senate urging them to oppose online gambling and support RAWA. He hit all the talking points in the letter: morality, corrupting children, targeting the less fortunate, easy availability, money laundering, and of course terrorism. He ended the letter by saying, "Thank you for your consideration of this important measure to ensure the safety, security, and well-being of

³⁹ Toluse Olorunnipa, "Adelson Takes on Disney in Florida Casino Battle," <http://www.bloomberg.com/news/articles/2014-02-05/disney-battles-casino-operators-over-florida-expansion> (Cited April 1, 2015).

⁴⁰ Klas, "Marijuana Battles Heats Up."

Florida families and families throughout the nation.”⁴¹ As for Amendment 2, it went to the ballot in November 2014. It received 58% of the vote, 2% short of the 60% required to pass in Florida.

The Republican Governor of Wisconsin, Scott Walker, is the next prominent politician in Adelson’s pocket. The 47 year-old has been a politician since 1993 and has been the Governor of Wisconsin since 2011. He has been a staunch social and fiscal conservative throughout his political career. He has been a pro-life champion and a believer in spending cuts. In fact, Walker has cut more money from public education than any other governor in the country.⁴² Walker was also a 2016 presidential hopeful, whom many believed would be the front-runner for the GOP nomination. He has been a states’ rights advocate and a proponent of smaller government and more freedom. Walker has said that the GOP “can’t be the accountant party. We’ve got to be the party of more freedom, more opportunity, more prosperity.”⁴³ I wonder what Walker means by more freedom? Does he mean trampling on states’ rights by enforcing a federal bill like RAWA. Does he think freedom is the prohibition of poker? Let us look more into the background of Walker before we come to any rash conclusions.

As a presidential hopeful in 2016, Walker likely knows that an alignment with Adelson is paramount to his election. Indeed, Walker was a guest speaker at the

⁴¹ Rick Scott, e-mail message to members of congress, April 22, 2014. (Cited April 2, 2015).

⁴² Tom Kertscher and Dave Umhoever, “Scott Walker Cut School Funding More Than Any Governor, Greater Wisconsin Committee Claims,” <http://www.politifact.com/wisconsin/statements/2014/sep/07/greater-wisconsin-political-fund/scott-walker-cut-school-funding-more-any-governor/> (Cited April 2, 2015).

⁴³ Philip Rucker, “Governors Christie, Walker and Kasich Woo Billionaire Sheldon Adelson at Vegas Event,” http://www.washingtonpost.com/politics/governors-christie-walker-and-kasich-woo-adelson-at-vegas-event/2014/03/29/aa385f34-b779-11e3-b84e-897d3d12b816_story.html (Cited April 2, 2015).

“Adelson Primary” in March of 2014. Over the years, Adelson has been a political and financial supporter of Walker. In October 2014, Adelson gave \$650,000 to the state Republican Party of Wisconsin, which in turn gave Walker more than \$450,000 that same day for his successful re-election run. He also received a \$10,000 donation from Adelson and his wife, Miriam, in 2014. Adelson also gave \$250,000 to Walker ahead of his 2012 recall election victory.⁴⁴ Once again Adelson donating to Republicans is not unusual news. It is peculiar though, that Walker would accept the money.

Before Walker was Governor, he was in the Wisconsin State Assembly. In 1999 Walker was a state legislator outraged by the role the gaming sector had played in the election of Democrat gubernatorial candidates in Alabama and South Carolina in 1998. He urged a bold solution: a ban on political contributions by gambling interests. Walker cited the recommendations of the National Gambling Impact Study Commission urging tighter restrictions on the industry’s campaign spending and promised to reintroduce his 1997 bill to prohibit any candidate or political committee accepting a political contribution made by any person who owns, operates, or manages a casino or racetrack in any state, or who is licensed by any state to operate or manage a casino or racetrack.⁴⁵

He went on to add, “We have witnessed problems with gambling contributions at the federal level and in other states. We must act now before problems evolve in this state. Our measure will act as a protection against corruption here in Wisconsin.”⁴⁶

⁴⁴ Jason Stein, “Gov. Scott Walker to Meet with Mega-Donor Sheldon Adelson,” <http://www.jsonline.com/blogs/news/285240301.html> (Cited April 2, 2015).

⁴⁵ Josh Israel, “Scott Walker’s Spectacular Flip-Flop on Political Contributions from the Gambling Industry,” <http://thinkprogress.org/election/2015/03/25/3638716/scott-walker-gambling-contributions/> (Cited April 2, 2015).

⁴⁶ Ibid.

Figure two is a copy of the June 6, 1999 Bill 793 by Walker to eliminate gambling donations. Walker has also received a \$9,000 donation from the Forest County Potawatomi Community (a Native American tribe that operates a Milwaukee casino). A \$5,000 contribution from Wild Rose Entertainment Chairman Gerald Kirke and \$3,000 from vice chairman Michael Richards (their company operates two casinos in Iowa). Peter Carlino, the chairman of Penn National gaming, also contributed \$1,000 to Walker in 2012.⁴⁷

⁴⁷ Ibid.

Fig 2. June 6, 1999 Bill 793

1997 - 1998 LEGISLATURE

1997 Assembly BILL 793

February 12, 1998 - Introduced by Representatives WALKER, DUFF, DOBYNS, GOETSCH, GROTHMAN, F. LASEE, HUEBSCH and ALBERS, cosponsored by Senators DARLING, FARROW, PANZER and WELCH. Referred to Committee on Campaign Finance Reform.

1 **AN ACT** *to amend* 11.61 (1) (b); and *to create* 11.41 and 11.60 (3e) of the statutes;

2 **relating to:** acceptance of political contributions made by owners, operators or
3 managers of casinos or racetracks and providing penalties.

Analysis by the Legislative Reference Bureau

This bill prohibits any person, including any committee or group, from accepting a political contribution made by any person who owns, operates or manages a casino or racetrack in any state, or who is licensed by any state to operate or manage a casino or racetrack. If a corporation owns, operates or manages a casino

or racetrack, the prohibition applies to contributions made by the officers and directors of the corporation or by any individual owner of the corporation if the individual owns a 10% or greater interest in the corporation. If an Indian tribe owns, operates or manages a casino or racetrack, the prohibition applies only to contributions made by the officers and members of the governing body of the tribe.

Violators are subject to a forfeiture (civil penalty) of not more than treble the amount of any contribution accepted in violation of the provision. Intentional violators may be fined not more than \$1,000 or imprisoned for not more than 6 months, or both, if an unlawful contribution is \$100 or less, and may be fined not more than \$10,000 or imprisoned for not more than 3 years, or both, if an unlawful contribution is more than \$100.

Currently, there is no such prohibition, except that if a corporation owns, operates or manages a casino or racetrack the acceptance of contributions made from the corporate treasury is currently prohibited.

The people of the state of Wisconsin, represented in senate and assembly, do

enact as follows:

1 **SECTION 1.** 11.41 of the statutes is created to read:

2 **11.41 Acceptance of contributions from owners, operators or**
3 **managers of casinos and racetracks. (1)** In this section:

4 (a) “Casino” means a location where casino gambling is authorized to be
5 conducted under an applicable state law or a compact negotiated under 25 USC 2710.

6 (b) "Casino gambling" means one or more of the games described in s. 565.01
7 (6m) (b) 2. to 9., or any game that is similar to a game described in s. 565.01 (6m) (b)
8 2. to 9.

9 (c) "Pari-mutuel" means a wagering system in which all persons who wager on
10 any animal which finishes in any position for which wagers are taken in a race share
11 the total amount wagered on the race minus any deductions from the wagers on that
12 race required under the law of the state where the race is conducted.

13 (d) "Racetrack" means a location in any state at which animal races are
14 authorized by the law of that state to be conducted and at which pari-mutuel
15 wagering on those races is authorized to be conducted under that law.

16 **(2)** No person, including a committee or group, may accept a contribution made
17 by any person who owns, operates or manages a casino or racetrack in any state, or
18 who is licensed by any state to operate or manage a casino or racetrack.

19 **(3)** For purposes of sub. (2), if an individual owns a 10% or greater interest in
20 or serves as an officer or director of a corporation that owns, operates or manages a

1 casino or racetrack in any state, or that is licensed by any state to operate or manage
2 a casino or racetrack, that individual is considered to own, operate or manage that
3 casino or racetrack or to be licensed to do so.

4 **(4)** For purposes of sub. (2), if an Indian tribe owns or operates a casino or
5 racetrack, the officers and members of the governing body of the tribe are considered
6 to own or operate that casino or racetrack.

7 **SECTION 2.** 11.60 (3e) of the statutes is created to read:

8 11.60 **(3e)** Notwithstanding sub. (1), any person, including any committee or
9 group, who accepts a contribution in violation of s. 11.41 may be required to forfeit
10 not more than treble the amount of the contribution.

11 **SECTION 3.** 11.61 (1) (b) of the statutes is amended to read:

12 11.61 **(1)** (b) Whoever intentionally violates s. 11.25, 11.26, 11.27 (1), 11.30 (1)
13 ~~or~~, 11.38 or 11.41 where the intentional violation does not involve a specific figure,
14 or where the intentional violation concerns a figure which exceeds \$100 in amount
15 or value may be fined not more than \$10,000 or imprisoned not more than 3 years
16 or both.

17

(End)⁴⁸

⁴⁸ Wis. Stat 793 (1997), (Cited April 13, 2015).

It obviously did not take long for Walker to be corrupted by money in politics. In one instance he lambastes gambling contributions to politicians, but in the next instance, he accepts large political donations from the very same groups against whom he previously railed. In January 2015, Walker rejected a proposed Menominee tribal casino in Wisconsin. This rejection would not be so controversial, except for the fact that this move reportedly benefited the Potawatomi tribe, the very same tribe that donated \$9,000 to him.⁴⁹ Walker and his staff have been tight lipped on his flip-flop on this issue. But for a man with grander political ambitions, it is understandable why he would want to get on Adelson's good side.

Other governors have also written letters expressing concern about online gaming, whether it is poker or roulette. Nikki Haley [R-SC], Michael Pence [R-IN], and Rick Perry [R-TX] have all penned letters in opposition to online gaming and in support of RAWA. Bobby Jindal [R-LA] also wrote an op-ed in the Greater Baton Rouge Business Report mimicking the rhetoric of the anti-gaming coalition. In 2014, when Jindal was the chair of the Republican Governors Association (RGA), he accepted a \$2 million donation from Adelson on behalf of the RGA. Like Jindal—Haley, Pence, and Perry have all received financial support—at least indirectly—from Adelson.⁵⁰ Furthermore, the RGA as an organization has received millions of dollars from the Las Vegas Sands Corporation throughout the years as well as from Adelson personally. In the 2014 election year Adelson's Las Vegas Sands Corporation was the second largest donor to the RGA, donating \$4,520,531. In 2012 the Sands Corporation was the fourth largest donor to the RGA, donating \$2,050,000. In 2010, the Sands Corporation was the ninth largest donor,

⁴⁹ Israel, Scott Walker's Spectacular Flip-Flop."

⁵⁰ Hamburger, "Adelson's Political Beneficiaries."

donating \$1,051,369 to the RGA. Not to be outdone by his own company, Adelson has personally donated a total of \$7,750,000 to the RGA since 2006.⁵¹

As for the rest of the people who oppose online gaming and support RAWA, four other senators cosponsored the bill in the Senate with Graham. They were Sen. Kelly Ayotte, [R-NH], Sen. Daniel Coats [R-IN], Sen. Dianne Feinstein [D-CA] and Sen. Mike Lee [R-UT]. For Chaffetz' original bill, H.R.4301, there were a total of nineteen cosponsors in the House of Representatives, while his reintroduced bill, H.R. 707 was cosponsored by sixteen other representatives. Figure three at the end of this chapter lists all the people who cosponsored the bill with him. While not everyone who supported the legislation has received campaign contributions from Adelson, it is worth noting that the majority of the representatives that signed the bill were Republicans. Only six of the nineteen cosponsors on HR.4301 were Democrats and two of them, Rep. Tulsi Gabbard [D-HI] and Rep. Jim Matheson [D-UT] come from the only two states in the country that ban all forms of gambling, including the lottery. Only three cosponsors of H.R.707 were Democrats and one of them was Gabbard, while the others were Rep. Brad Ashford [D-NE] and Rep. Pedro Pierluisi [D-PR]. Ashford is from Nebraska, a historically conservative state, while Pierluisi is from Puerto Rico, which is a very religious territory of the United States. It is easy to see why they cosponsored this bill considering where they are from and how their constituents would view gambling.

Eighteen total Republican Senators or House Representatives have cosponsored RAWA; eight of whom have signed the bill twice. Of these eighteen, Adelson has indirectly donated to all of them through PACS and fundraisers. In 2014, Las Vegas Sands donated \$5,000,000 to the Congressional Leadership Fund and \$2,500,000 in 2012.

⁵¹ www.opensecrets.org, (Cited April 13, 2015).

All of this money went to help members of the House gain or retain a seat for the Republicans. There are many other examples of Adelson's donating money to politicians who have taken a stand with him against online gaming. In an attempt to move forward with this thesis, I will go on to other issues. It is, however, critically important to recognize how one man can influence legislation so greatly. A gambling tycoon like Adelson is not the only person who utilizes immense personal wealth to secure benefits for his or her business. It happens for both Republicans and Democrats, as no party is void of the intoxication of power that comes with an election victory. Though, on this issue, the issue of online gaming, Republicans have gone to the proverbial well far more often than have Democrats. This has a lot to do with how they feel that their constituents will vote on a particular issue. Republicans are the conservative party, and gambling is a point of contention for conservative voters. However, one thing that has not been overlooked by Republicans who have not signed on to RAWA is that RAWA essentially tramples on states' rights. Next, I will touch upon this issue, and look into politicians that have yet to sign on to RAWA, even though they are fervently opposed to online gaming.

Fig 3. Cosponsors of H.R. 4301 & H.R. 707

Cosponsors of H.R.4301	Date Sponsored	Cosponsors of H.R. 707	Date Sponsored
Rep. Gabbard, Tulsi [D-HI-2]*	3/26/14	Rep. Gabbard, Tulsi [D-HI-2]*	2/4/15
Rep. Matheson, Jim [D-UT-4]*	3/26/14	Rep. Smith, Lamar [R-TX-21]*	2/4/15
Rep. Smith, Lamar [R-TX-21]*	3/26/14	Rep. Franks, Trent [R-AZ-8]*	2/4/15
Rep. Jordan, Jim [R-OH-4]*	3/26/14	Rep. King, Steve [R-IA-4]*	2/4/15
Rep. Franks, Trent [R-AZ-8]*	3/26/14	Rep. Dent, Charles W. [R-PA-15]*	2/4/15
Rep. Holding, George [R-NC-13]*	3/26/14	Rep. Holding, George [R-NC-13]*	2/4/15
Rep. Wolf, Frank R. [R-VA-10]*	3/26/14	Rep. Forbes, J. Randy [R-VA-4]*	2/4/15
Rep. Lankford, James [R-OK-5]*	3/26/14	Rep. Gowdy, Trey [R-SC-4]	2/25/15
Rep. Cleaver, Emanuel [D-MO-5]*	3/26/14	Rep. Wilson, Joe [R-SC-2]	2/25/15
Rep. Dent, Charles W. [R-PA-15]	6/19/14	Rep. Gohmert, Louie [R-TX-1]	2/25/15
Rep. Rogers, Mike J. [R-MI-8]	6/19/14	Rep. Pierluisi, Pedro R. [D-PR-At Large]	2/27/15
Rep. Forbes, J. Randy [R-VA-4]	6/23/14	Rep. Bishop, Rob [R-UT-1]	2/27/15
Rep. King, Steve [R-IA-4]	6/23/14	Rep. Love, Mia B. [R-UT-4]	2/27/15
Rep. Gowdy, Trey [R-SC-4]	6/23/14	Rep. Ashford, Brad [D-NE-2]	3/3/15
Rep. Lipinski, Daniel [D-IL-3]	6/25/14	Rep. Hartzler, Vicky [R-MO-4]	3/16/15
Rep. Richmond, Cedric L. [D-LA-2]	7/17/14	Rep. Ross, Dennis A. [R-FL-15]	3/16/15
Rep. Gohmert, Louie [R-TX-1]	7/17/14		
Rep. Bachus, Spencer [R-AL-6]	7/22/14		
Rep. Pierluisi, Pedro R. [D-PR-At Large] 12/01/2014	12/1/14		
* = Original Cosponsor			

Chapter III

States' Rights and Regulation

States' rights have been a point of contention for many politicians in recent years. Certain elected officials are in the camp of making the federal government smaller, and promoting increased state autonomy. For the most part, proponents of increased states' rights have been on the right side of the aisle. They lean conservative and are predominantly Republicans. This is where an apparent schism has formed between Republican leaders in the debate over online gambling. Some take a hard-line stance for the protection of states' rights, while others are either on the fence or some, like Lindsay Graham and Rick Perry, oppose online gambling for various reasons. The problem with opposing online gaming is that the UIGEA, the only Internet-gambling bill enacted by Congress, carves out exemptions, allowing, in limited situations, intrastate online gambling. So while it is still illegal under the Wire Act to make a wager over state lines, gambling within a state that has made online gaming legal, does not violate any federal law.⁵² However, essentially what RAWA will do is eliminate the option for states to determine their own self-interest in regards to online gambling by making it a federal crime to gamble online, in any state. This is why it is such a difficult topic for conservatives to come to terms with. One person, Rep. Bob Goodlatte [R-VA], is a great example of a politician who has expressed ambivalence towards RAWA.

⁵² Michelle Minton, "The Original Intent of the Wire Act and Its Implications for State-based Legalization of Internet Gambling," http://gaming.unlv.edu/papers/cgr_op29_minton.pdf (Cited May 8 2015).

Bob Goodlatte is the Chair of the House Judiciary Committee, the same Committee that sits above the Subcommittee on Crime, Terrorism, and Homeland Security. Through his role as Chair of the House Judiciary Committee, Goodlatte is almost certainly one of the more knowledgeable Congressmen as to H.R.707. In fact, Goodlatte has been an opponent of online gaming since the 1990s, and has introduced multiple bills opposing online gambling dating back to 1997. The first bill he introduced, H.R.2380 was called the Internet Gambling Prohibition Act of 1997. From there, Goodlatte introduced an identical bill, H.R.3125 in 1999. In 2006, Goodlatte again introduced identical proposed legislation, H.R.4777. After staunchly opposing online gambling for nearly twenty years, it would seem to be a foregone conclusion that Goodlatte would cosponsor RAWA. However, he did not. Why is that?

Interestingly, at the hearing on RAWA in March of 2015, Goodlatte gave an opening address regarding RAWA, and his stance on online gaming. Goodlatte provided an explanation as to his indecision regarding how to proceed with RAWA. On the next page is the correspondence from Goodlatte at the hearing. It is fascinating to see the ambivalence Goodlatte expresses in the pages on the document.

Fig 4. Bob Goodlatte's Opening Statement at RAWA Hearing

Mar 25 2015

Hearing: H.R. 707, the "Restoration of America's Wire Act"

2237 Rayburn House Office Building

The Honorable Bob Goodlatte

Chairman Goodlatte: Thank you, Chairman Sensenbrenner. Internet gambling has been an issue of particular interest to me during my service in Congress. I am personally opposed to Internet gambling because it is used as a mechanism to launder money, because it causes bankruptcy and breaks up families, and because it can even lead to suicide, as it did for a constituent from my district. I have introduced multiple bills dealing with Internet gambling in the past, and I am looking forward to a frank and detailed discussion with our distinguished witnesses, and the Members of this Subcommittee, on the topic.

As the Chairman noted, the OLC opinion reinterpreting the Wire Act caused a dramatic shift in the way the Department of Justice views the laws proscribing Internet gambling. In the three-plus years since the opinion was issued, it has led to an increased push toward the availability of online gambling in this nation. Many participants in the gambling industry, from Indian tribes to state lottery commissions to casino operators, have been exploring ways to increase their involvement in remote gaming.

In this environment, we must explore ways to protect the rights of states to prevent unwanted Internet gambling from creeping across their borders and into their states.

Updating the Wire Act can be a tool to protect states' rights to prohibit gambling activity. However, there is also another dynamic that we must acknowledge, and that is what to do about states that want to regulate and permit Internet gambling within their own borders. Some states have already legalized online gambling. Thus, any update to the Wire Act will need to address how to handle both the states that have already enacted laws allowing online gambling and any states that would want to do so in the future.

These are tough decisions and we are having this hearing today to seek answers to these tough decisions.

While I am sympathetic to the argument that states are laboratories of democracy, I am also concerned about whether it is possible to keep this sort of gambling activity from crossing state lines and thus violating the rights of other states.

There is a role for Congress to play in upholding states' rights in this area. Wholly intrastate criminal conduct may nevertheless have an interstate nexus, or be facilitated utilizing an instrumentality of interstate commerce – such as a highway, telephone network, or yes, the Internet. It is therefore within Congress's purview to legislate this conduct. The question for the Members of this Committee, then, is whether Congress should act in this area, and if the approach taken by H.R. 707 is the appropriate way to do so.

I will be very interested in our panel's take on that and many other questions. How would a state-by-state regulatory approach to Internet gambling affect the citizens of states who DO NOT want legalized gambling within their borders? In other words, how

would you ensure that online gambling, if legal in one state, wouldn't "bleed over" into a neighboring state where it is not legal, particularly since the Internet doesn't "stop" at state borders? Is geolocation technology sufficient to determine whether an individual who places a bet is physically present in a state where it is legal? Should all Internet gambling be prohibited? What should be done with states that have already passed laws to permit Internet gambling? I look forward to discussing all these issues in detail with our witnesses. This is a complex issue, and evokes strong opinions on all sides. Should we decide to move forward with legislation to address this issue, we need to do so deliberately and thoughtfully.

I thank the witnesses for their testimony, and yield back the balance of my time.⁵³

⁵³ Bob Goodlatte, http://judiciary.house.gov/index.cfm/hearings?Id=844D566D-D48C-478A-8089-8FB7F0BD021E&Statement_id=37D8DB9C-42F3-456C-9114-A858E1C126D9 (Cited April 13, 2015).

It is clear that Goodlatte is a great believer in states' rights. He speaks about his many years of opposing online gambling, and he talks about his sincere backing of states' rights. From Goodlatte's opening statement, we see some of the reasons why he is concerned with intrastate online gambling. He mentions money laundering, and geolocation technology. Let us look at these two issues as they apply to online intrastate gambling, and come to a conclusion on the safety of regulated online gaming.

First I will quickly go over the possibility of money laundering on online gambling websites that are regulated by state governments. Of course it is possible to launder money over these sites, but it will be exponentially more difficult to do so. Why? First, online gambling is a hot-button topic that many are closely watching. Should online gaming be legalized at the state level, there would certainly be rules, regulations and other checks and balances with which compliance will be required for gaming websites to operate legally. One state, Pennsylvania, is in the process of expanding their gambling enterprise to include intrastate online gambling. One argument pointed out by a proponent for online gambling shows that over 1,000 people on average in Pennsylvania are gambling on illegal online websites at any given time. Currently, unlicensed, unregulated, overseas companies operate all of these websites. So long as people want to play or gamble there will be no shortage of overseas companies willing to facilitate their play. This fact underscores the conclusion that prohibition is simply not the answer. Regulation and taxation on the other hand is a realistic answer.⁵⁴ Furthermore, according to Steve Ruddock, "It's not simply a matter of adding a few million dollars to the state's coffers through taxation and licensing fees, this is about keeping all of the

⁵⁴ Steve Ruddock, "Regulated Online Gambling Keeps Money in Local Economy," <http://www.bluff.com/news/regulated-online-gambling-keeps-money-in-the-local-economy-64319/> (Cited May 9, 2015).

money being wagered, won or lost, in the Pennsylvania economy, and protecting these players from shady overseas operators.”⁵⁵ Hence, if money laundering did happen on intrastate sites, it could only be cashed out in that state. It would be impossible to launder money overseas by “chip dumping” to your “opponent” in another country.

A regulated marketplace would be a far cry from what opponents have said could happen, especially when citing the F.B.I. letters. To start the F.B.I. letters only give us hypothetical situations, all of which occur on an unregulated site. The letters do not address the impact that government regulation would have on the safety and security of the online gambling industry. The F.B.I. letters provided that money laundering could be detected and thwarted by a prudent online casino. If any online gambling website would qualify as prudent, it would almost certainly be a website controlled and regulated by state government, rather than an unchecked overseas operator.⁵⁶ The Poker Players Alliance, a lobbying group focused on the goal of nationalized legalization of online poker noted that “the National Fraternal Order of Police wrote a letter urging Congress to license and regulate online gaming stating, ‘The FOP wants to protect our citizens and the best way to do this is to drive black market online gaming into the light and scrutiny of a regulated system that is safe, fun and fair.’”⁵⁷ In other words, black markets exacerbate the problem. History has shown us in the context of prohibitions of so-called “vice,” the policy of prohibition has proven time and time again to be a gigantic mistake. Yet, unlike alcohol and drugs, online gambling relies heavily on technology.

⁵⁵ Ibid.

⁵⁶ The Poker Players Alliance, “Andy Abboud’s Testimony of Myths,” http://theppa.org/static/pdf/myths_vs_facts.pdf (Cited May 10, 2015).

⁵⁷ Ibid.

Geolocation technology is supposed to identify the location of an online gambler to determine whether or not he or she is in the state that has regulated gambling. The three states that currently allow intrastate online gambling, Delaware, Nevada, and New Jersey use this technology today. But how does it work—and better yet, does it work?

The question over geolocation technology should lead to a pretty black and white answer. However, depending on which side of the aisle you ask, opinions vary widely. Proponents of utilizing geolocation argue that the technology has advanced so far from its infancy and that at present the technology is capable of pinpointing a player to, as Daniel Ryder writes, “the building level.”⁵⁸ While others will elaborate on the many issues that still exist with geolocation technology. The main one being that near the border of other states, out-of-state residents could easily pick up the signal that would allow them to gamble from an illegal jurisdiction. So obviously there are potential issues, but are they too big of a problem to go forward with online gambling?

According to Anna Sainsbury the CEO of GeoComply, an industry leader in geolocation technology the problems have become virtually nonexistent. Sainsbury has stated, “If the bar is set high enough, can geolocation technology methods identify when someone is within the borders of a state or out the borders of that state? The answer is unequivocal yes. Indeed, we do exactly that about five million times a month to pinpoint, on average a potential customer’s location to within 50 yards.”⁵⁹ Even Andy Abboud, Adelson’s right hand man, has admitted that geolocation technology can be effective.

⁵⁸ Daniel Ryder, “Pennsylvania Hearing Paints Online Poker in Positive Light,” <https://www.pokersites.us/news/pennsylvania-hearing-paints-online-poker-in-positive-light/> (Cited June 3 2015).

⁵⁹ Anna Sainsbury, “Regulatory Oversight of Online Gaming in the States is Working,” <http://blogs.rollcall.com/beltway-insiders/regulatory-oversight-of-online-gaming-in-the-states-is-working-letter-to-the-editor/?dcz=> (Cited June 5 2015).

Abboud noted that the Venetian Casino in Las Vegas allowed mobile gaming on its premises and had the ability to prevent individuals participating from outside the property, and that geolocation technology was the most important reason why the Venetian mobile application was able to work as successfully as it has been to this point so far.⁶⁰

So when it comes to geolocation technology, it seems to me that it is not a potential risk at this point. It may have been five years ago, but with the rapid expansion in technology, according to Ryder “geolocation is one problem you [opponents of online gambling] can take off your sleepless night list!”⁶¹

⁶⁰ Ryder, “Pennsylvania Hearing Paints Online Poker in Positive Light.”

⁶¹ Ibid.

Chapter IV

Terrorism and Other Illegal Activity

One of the major concerns about online poker/gaming that politicians and the intelligence community have noted relates to terrorism and other illegal activity. Many feel that online gaming would exponentially increase the risk of money laundering, fraud, and tax evasion, which could not only bolster criminals, but fund terrorist organizations. This threat is on the short list of talking points that opponents of online gaming continually hit when discussing the perils of online gaming. Their concerns are not completely unfounded; however, like anything else, nuance plays a large role in assessing the extent of the threat, and whether it warrants prohibition.

Two individuals who have spearheaded the terrorism and criminal activity concerns are George Pataki and Andy Abboud. Pataki is the former Republican Governor of New York and the current National Co-Chair of the Coalition to Stop Internet Gambling. Abboud is the Senior Vice President of Government Relations & Community Affairs at the Las Vegas Sands Corporation. It is worth noting that the Coalition to Stop Internet Gambling is a prohibition website run by none other than Sheldon Adelson. Once again, the two most outspoken people about the potential threat of terrorism and criminal activity in regard to online gaming are literally on Adelson's payroll. For the moment, however, I would like to set that perilous connection aside, and delve into the merits of the argument, because even if Adelson is influencing politicians,

lobbyists, and Las Vegas Sands employees with money, he still may have a strong argument on the terrorism front.

So where are people like Pataki and Abboud getting their information? Well most of their concerns stem from a response letter written by Shawn Henry, the Assistant Director of the Cyber Division of the F.B.I. to Congressman Spencer Bachus [R-AL] on November 13, 2009 and an F.B.I. response letter by J. Britt Johnson, the Deputy Assistant Director of the Criminal Investigation Division to Congressman Bill Young [R-FL] on September 20, 2013.

Bachus, who was also the Ranking Member of the Financial Services Committee, initiated correspondence with the F.B.I. to determine whether online gaming and especially online poker was a concern beyond potential moral implications. Bachus asked six questions to the F.B.I. Assistant Director Henry responded to all of them. Most of the questions raised by Bachus inquired whether money could change hands either by cheating or through “chip dumping,” which is when one player intentionally loses money to another player so it appears that the transaction is legitimate. Traditional cheating would be carried out only if individuals were able to compromise the integrity of the game through collusion or advanced cyber technology.

Here is a bit of the response letter from the F.B.I.:

Question 1. Does technology exist that could facilitate undetectable manipulation of an online poker game? Yes, the technology exists to manipulate online poker games in that it would only take two or three players working in unison to defeat the other players who are not part of the team.

Question 2. Could technology be used to illicitly transfer or launder money in the guise of “innocent participation in an online poker game, or the undetectable theft of money from one participant in such a game, by others acting in concert? Yes, online poker could be used to transfer ill-

gotten gains from one person to another, or several other people...this activity could repeat itself several times, virtually “washing the money.”⁶²

The letter hits on some other key points as well, like the ability to set up bots, “which have a distinct advantage over real players in that they can use the processing power of the computer to determine the chances of winning.”⁶³ (On a side note, in addressing this concern, the F.B.I. essentially has conceded by implication that poker is in fact a game of skill that can be won by advanced-intelligence. It logically follows that online poker should not be lumped in with other forms of online gambling, where skill predominates a player’s long-term expected results). Again, based on this question and answer dialogue, the F.B.I. believes that the ability to cheat and/or launder money through online poker is a real possibility. The second letter written by Deputy Assistant Director Johnson repeated many of the same vulnerabilities that exist playing online poker as laid out in Henry’s letter, but stressed that the anonymity of online poker makes it incredibly difficult to track the money, thus making online poker a virtual safe haven for criminals to operate. The potential for cheating and laundering money on online poker sites is probably one of the main reasons the government has not given a legal credence to the game. Other forms of online gambling force players to play against the house, which makes for things like chip dumping, and other laundering techniques impossible.

These two letters have become the catalyst for people like Pataki and Abboud in their opposition to online poker. Why? Let us look closer at their interpretation of the

⁶² Shawn Henry, “F.B.I. Letter to Congressman Spencer Bachus,” <http://stoppredatorygambling.org/wp-content/uploads/2012/12/FBI-Letter-on-Internet-Gambling.pdf> (Cited May 1, 2015).

⁶³ Ibid.

F.B.I. letters. Pataki connects, in a conclusory manner, the threat of money laundering and online gambling with the funding of terrorists. Pataki says, “Once the money is won, it is removed from the online poker account where it can be cashed out or deposited into bank accounts to then be removed again so they may pay the terrorist group backing them.”⁶⁴ The anonymous nature of the Internet is the key to this argument. On one hand, the Internet has liberated people to be themselves behind a computer screen, but on the other hand it has opened up a figurative can of worms which is difficult to police. Abboud has echoed Pataki’s concern that online gaming presents a threat of money laundering and the funding of terrorist organizations. The concern many people have with arguments of terrorism being funded through online poker is that they say it is purely hypothetical. However, instances of money laundering to fund terrorism have been successful orchestrated in the past.

The best-known virtual terrorist was a British man named Younis Tsouli. He and his partner Tariq-al-Daour first started acquiring stolen credit cards, and by the time they were arrested, they had accumulated nearly 37,000 stolen credit cards numbers on their computers. From there, the two men went on to launder money through a number of online gambling sites, such as absolutepoker.com and paradisepoker.com. Next they would cash out and transfer money to bank accounts. The proceeds of this process resulted in money that appeared to be won, legitimately.⁶⁵ These men reinvested the proceeds of their heists into websites dedicated to Islamic terrorism and Jihad. They

⁶⁴ George Pataki, “Online Gambling a Bigger Risk Than You Think,” <http://www.usatoday.com/story/opinion/2014/01/30/online-gambling-terrorists-column/5055941/> (Cited May 2, 2015).

⁶⁵ Michael Jacobson, “Terrorist Financing on the Internet,” <https://www.washingtoninstitute.org/uploads/Documents/opeds/4a438817e3a3c.pdf> (Cited May 2, 2015).

would also produce propaganda films that were circulated to the Iraqi insurgency. Clearly these two men were highly intelligent in the means of computers, hacking, and phishing so the medium of online poker was an outlet they easily tapped into. Terrorist organizations are constantly growing more savvy and sophisticated. Luckily these men were caught and arrested in 2005. Tsouli received 16 years in prison and al-Daour received 12 years. Furthermore, Thomas Harding writes that “Terry Prater, a specialist in counter-terrorism with Jane’s Strategic Advisory Services has warned that terrorists have raised funds in Afghanistan through the use of online gambling sites, and that Al-Qaeda wants to create a University of Jihad online.”⁶⁶ So, it is true, terrorists have, and continue to try and launder money through online gambling websites to support their activities. This is certainly a cause of concern. However, I want to take a step back and take a look at the bigger picture.

The Internet is a somewhat lawless realm that is infinitely difficult to control and monitor. There are literally thousands of online gambling websites. It would be naïve to think that of the thousands of online gambling websites that none of them could be breached, or that terrorists are not actively using them to transfer money around the world. But why is the focus on online gambling? Tsouli and al-Daour stole credit card numbers to finance their online gambling accounts. Is there any politician or government body calling for the prohibition of credit cards in the United States? Credit cards are what actually finance online gambling accounts. It would seem logically to cut off the head of the problem, not the tail.

⁶⁶ Thomas Harding, “Terrorists Launder Cash Through Online Gambling,” <http://www.telegraph.co.uk/technology/4060727/Terrorists-launder-cash-through-on-line-gambling.html> (Cited May 3, 2015).

What about other online payment methods that have been introduced in the last few years? Why has there not been widespread panic about them? Among these payment methods are pre-paid phone cards, PayPal, and E-gold. Pre-paid phone cards have become an increasingly popular alternative to cash. They are easy to obtain, can be used with complete anonymity, and are easily transportable. One type of pre-paid card can be used to withdraw money from ATM's throughout the world without needing a bank account.⁶⁷ Juan Miguel del Cid Gomez shows that "from the Point of view of countering the financing of terrorism, these cards present a risk, since they can be 'topped up' by a member of a terrorist organization in any country, allowing members of the organization access to money from cash-points."⁶⁸

Online payment services like PayPal are used to transfer money over the Internet. People using these types of services can use credit cards, electronic transfers, or pre-paid cards to open an account with only an intermediary that will carry out their payments.⁶⁹ Cid Gomez adds that "PayPal enables anybody or any business with email to send and receive money quickly over the Internet. It is more difficult to know the client's identity if the service provider does not insist on sufficient proof of identity."⁷⁰

Other payment options include sites like E-gold that are based on virtual money, which is exchanged via gold and other precious metals.⁷¹ Some risks with this include

⁶⁷ Juan Miguel del Cid Gomez, "A Financial Profile of the Terrorism of Al-Qaeda and Its Affiliates," <http://www.terrorismanalysts.com/pt/index.php/pot/article/view/113/html> (Cited May 3, 2015).

⁶⁸ Ibid.

⁶⁹ Ibid.

⁷⁰ Ibid.

⁷¹ Ibid.

being able to transfer your gold or silver into nearly any currency you wish. Further risks identified by Cid Gomez include:

The lack of identification details, the speed of business transactions, access to items of any value whose price is difficult to establish, and fictitious transactions whereby companies do not guarantee delivery. All this can enable the transfer of money between members of a terrorist organization pretending to pay for business transactions while the price of items is manipulated or the goods are simply not delivered.⁷²

As you can see, online gambling is certainly not the only medium that presents a risk of financing terrorism. In fact, from personal experience using online poker websites and PayPal, I would without hesitation say that the vetting processes for online poker websites is much more stringent than the vetting process for websites like PayPal. I had to scan and send photos of my license, credit card, and a bill from the address associated with them. PayPal was much more straightforward, and required fewer steps to verify my identity.

As it stands now, online poker is legal in three states, Delaware, Nevada, and New Jersey. Prohibitionists would like to see these states cease operations of their websites due to the risks laid out above, and others introduced in this thesis. However, the issue opponents of online gaming cite in arguing concerns related to money laundering and terrorism concerns is a product of prohibition. Currently the online gaming industry is dominated by overseas enterprises, which are in no way affiliated with or under the control of the United States Government. The three legal online gaming websites currently operating in Delaware, New Jersey and Nevada are licensed and regulated by the respective states in which they operate. The risk of groups like Al-Qaeda or Isis defrauding an online gaming website, which is controlled, regulated and closely

⁷² Ibid.

monitored by state government, is exponentially lower than the risk presented by the “black-market” unregulated, unmonitored websites that currently operate, unchecked, throughout the United States and the world. The United States strictly monitors, regulates, and controls the activity of large corporations that, according to Bob Shemeligan, have “public shareholders, dividends, and audited financial statements.”⁷³ If the online gaming industry were to be regulated just as any other industry, governments and corporations involved in Internet gambling would necessarily have a public reputation and extraordinary sums of money on the line. Consequently, taking a soft approach to monitoring online gambling websites would be incredibly detrimental to the business. It logically follows that cyber security on these sites would be of paramount concern to their proprietors.

⁷³ Bob Shemeligan, “Is online Gambling a Terrorist Front?”
<http://connection.ebscohost.com/c/articles/24199861/online-gambling-terrorist-front> (Cited May 3, 2015).

Chapter V

Morality and Vice in the United States

I would be remiss not to dedicate a small chapter about how morality and vice has played a role in the history of gambling, and how that continues to be an issue in the 21st century in regard to online gambling. Americans have always been risk takers. This is expected of a country predominantly comprised of either immigrants or decedents of immigrants. It takes a certain type of person to leave his or her homeland and move, often penniless, to a foreign country lacking customs, language, friends, and family. It is important to appreciate the unique composition of the United States citizenry and the impact that composition has on the country's core values and morals. The inherently bold nature of Americans, then, lends credence to why gambling has been so important in the history of our country. In fact, many presidents have enjoyed gambling throughout history, one of whom, Richard Nixon, stated that the funding of his first campaign for a U.S. House of Representatives seat in 1946 was supplemented significantly by his poker winnings. Accounts vary, but many suggest poker winnings comprised most of the \$10,000 that Nixon speaks of as being used for that initial campaign.⁷⁴

It is unusual that so many Americans are vehemently opposed to gambling. However, the answer to this paradox is obvious. Religion has been the major opposition to gambling for centuries. Religious people have lumped gambling in with other vices, such a prostitution, alcohol, drugs, and pornography, and so a stigma became attached to

⁷⁴ Betting.Betfair, "The Top Five Poker-Playing Presidents," <https://betting.betfair.com/poker/news/the-top-five-poker-playing-presidents-070813-77.html> (Cited May 15, 2015).

gambling.⁷⁵ Years ago the vast majority of Americans considered gambling morally wrong, yet only 31 percent of Americans believe gambling is morally wrong as of a May, 2011 Gallup poll.⁷⁶ The shift in the American public's thinking on this matter, should not be a major surprise as Americans as a whole are becoming less religious and more open to personal freedoms that previously had been deemed detrimental and inherently wrong (such as marijuana use for example). Many religious people today, though, still consider gambling at least as evil as the other vices with which it has previously been associated. Albert Mohler, President of the Southern Baptist Theological Seminary, has said that the national explosion of gambling in recent years "may well be the most underrated dimension of America's moral crisis."⁷⁷ He continues, "The Bible is clear on this issue... The entire enterprise of gambling is opposed to the moral worldview revealed in God's Word. The Basic impulse behind gambling is greed—a basic sin that is the father of many evils."⁷⁸

Pretty much all religions oppose gambling (except, maybe, the gambling Gods). The Presbyterian Church describes gambling as "an unchristian attempt to get something for nothing or at another's expense."⁷⁹ The Assembly of God opposes gambling and has been very outspoken about this issue. They have called it "an artificial and contrived risk taken for selfish gain at another's expense."⁸⁰ Catholicism does not necessarily call

⁷⁵ John Stemberger, "Is Gambling Morally Wrong," <http://flfamily.org/wp-content/uploads/2011/12/Our-Opposition-to-Gambling1.pdf> (Cited May 15, 2015).

⁷⁶ Ibid.

⁷⁷ Ibid

⁷⁸ Ibid.

⁷⁹ Ibid.

gambling an inherently evil vice, like some other forms of Christianity, however, they do “recognize the serious social ills that often accompany gambling. Games of Chance or wagers...become morally unacceptable when they deprive someone of what is necessary to provide for his needs and those of others.”⁸¹ Lastly, during President George W. Bush’s presidency, 220 religious leaders in the United States, comprising evangelicals, Catholics, and Jews issued a joint statement condemning gambling and calling on the nation’s leaders to oppose the spread of gambling.⁸²

So religious leaders oppose gambling; that is not a big surprise. Only 31 percent of Americans feel gambling is morally wrong and only two to five percent of people develop a gambling addiction.⁸³ So why do so many politicians feel that taking a stand on the side of gambling is immoral and politically unwise?

It sure is politically unwise...well depending on where you are from in the United States. If you are a politician from Utah like Jason Chaffetz then supporting gambling is unwise. But I would argue that opposing gambling, as a politician, is only wise if the majority of your constituency is extremely religious. Elder Dallin H. Oaks, a member of the Quorum of the Twelve Apostles for the Church of Jesus Christ of Latter-day Saints, gave his opinion of why sponsoring gambling is politically unwise in an address at Ricks College on January 6, 1987, which summed up the feeling of the majority of anti-gambling religious people. Of course, Oaks touched on all of the talking points: gambling undercuts productivity and encourages crime, it is a costly way to raise

⁸⁰ Ibid.

⁸¹ Ibid.

⁸² Ibid.

⁸³ Phill Dunn, “Online Gambling Spurs Addiction Fears,” <http://www.thedailyjournal.com/story/news/2014/03/18/online-gambling-brings-new-addiction-fears/6515103/> (Cited May 15, 2015).

revenue, and it is a tax on the poor.⁸⁴ These arguments have been repeatedly used and they are important to religious voters. Politicians know this. Of course, the solution to the dichotomy of moral views regarding gambling from state-to-state in America is to allow each state to decide whether to embrace or reject online gaming. If Utah would never pass online gambling legislation, but New Jersey would, great! That is the definition of states' rights and democracy in action. A federal bill is many, many years away from passing, but state-sponsored gambling is all around us. Every state except for Utah and Hawaii has a lottery. Living a moral life is very admirable, but just like the definition of pornography, it is different from person to person, as is the definition of morality. Online gambling should not be prohibited because of morality. Personal freedom, states' rights, and the promotion of personal choice comport with traditionally American ideals. We ought to rely on these ideals in addressing the issue of online gaming. While arguments pertaining to risk of the unintentional support of criminal or terrorist enterprise and/or risk of inadequate geolocation technology to ensure state autonomy in addressing online gaming may be worthy of debate, a moral justification for prohibition is an argument that is antiquated, un-American, and not appropriate in the 21st century.

⁸⁴ Elder Dallin H. Oaks, "Gambling—Morally Wrong and Politically Unwise," <https://www.lds.org/ensign/1987/06/gambling-morally-wrong-and-politically-unwise?lang=eng> (Cited June 7 2015).

Chapter VI

Conclusion

Throughout this thesis we have seen hypocritical politicians succumb to the influence of big money donors revealing a tangled web of corruption. In the context of the battle relating to online gaming, money talks. The more closely we monitor that money the more we see a sort of Russian Doll appear with more layers and lies beneath the surface. But also this thesis has shown that online gambling/poker can enable criminals and pose potential security risks. The ability of criminals to launder money through these websites is not only concerning because terrorists have done this in the past, but because billions of dollars could go untraced. And this is where I feel a rift has occurred in this whole situation.

For one, insiders behind the scenes, that is to say, those who run financial institutions, large corporations, and other global entities forced the hand of the Federal Government, including the Department of Justice, to go after online gaming websites like Poker Stars and Full Tilt Poker, and the online gaming industries of smaller countries like Antigua because they were having a difficult time tracking the money coming and going out of the United States. Without appropriate documentation, foreigners could easily win money that the United States felt deserved to stay in the country, while American citizens likewise won money that was hard to trace, and thus difficult to tax. This conclusion makes logical sense if you look at the larger picture. Why would the United States attack Antigua, a country that poses absolutely no risk to the overall financial security of the

United States? Well, I feel the United States made Antigua a scapegoat, simply because it could. Antigua was easy to attack and vulnerable to American economic and geopolitical superiority. By financially destroying Antigua's online gaming industry, and to an extent, severely damaging their economy as a whole, the United States delivered a message to the rest of the world that it would not stand for international gambling operations targeting Americans as potential customers.

To me this was the whole point of the UIGEA. Some members of Congress, going back to the 1990s, have opposed online gambling. Most of those in opposition are religious crusaders who are not focused on the financial implications of online gambling. The UIGEA made it illegal for banks to facilitate transactions between US citizens and gambling operators. It was all a money grab — a bill designed to allow an easier transition over the next few years to incorporate American-run online gambling websites to the American people. By doing this, financial institutions, the government and the powers that be would all be able to monitor the transactions, tax implications, and overall movement of money because it was owned and operated by licensed American companies. In this situation, everyone was able to reach into the cookie jar and pull out a piece. This was the logical trajectory of American online gambling; however, Sheldon Adelson's agenda has delayed this plan.

Adelson garners incredible power in the United States because of his unlimited checkbook. Politicians acquiesce to his demands because they know he will give them large sums of money that will help them get reelected. Politicians, as we know, spend large amounts of time trying to impress large donors willing to donate to their campaigns. Elected officials are spending less time legislating and more time prostituting themselves

out for contributions. Both the politician and the donor know this and obviously understand how the system works. They operate on the old saying, “if you scratch my back, I’ll scratch your back.” Therefore, Adelson’s fervent opposition to online gambling has thrown a hypothetical monkey wrench into the plans to roll out intrastate and eventual interstate online gambling. The money he donates allows him unparalleled power in the halls of government. As we have highlighted in the thesis, many politicians have backed Adelson while forgoing their long-standing position on the importance of states’ rights. This has made the transition from offshore gambling operations to domestically run operation slow and tedious. Politicians are reluctant to vote against Adelson’s interests, because money runs everything. I would venture a guess that if Poker Stars pledged one billion dollars to the Republican Presidential nominee, we would see some pretty swift changes in the only gambling debate amongst GOP frontrunners. It is not about Adelson; it is about money. The person or corporation willing to spend the most of it to help elect politicians will be able to get his or her way until his or her position becomes too unpopular to survive or someone else donates more to aid the opposite position.

It is sad that elected officials, big money donors, and behind the scenes players cannot reach a compromise on this issue. The truth is that licensed online gambling is the only way to truly protect the consumer. Gamblers will always gamble and find a way to spend their money. Why not protect them with a website that can guarantee a secure environment for the player and the country as a whole. Regulated gambling sites would make black market operators obsolete, thus protecting not only the gambler but securing the borders by limiting the access to money for criminals and terrorists. In my mind,

widespread regulated online gambling is inevitable. There is too much tax revenue being lost for the status quo to last. As of now, only Delaware, Nevada, and New Jersey have licensed gambling operations. However, Pennsylvania and California are actively trying to pass legislation, while many other states have shown interest in legalizing online gaming. It is only a matter of time before wide-scale implementation occurs. As an avid poker player, and one who has put in many hours on the felt and virtual felt, I can without reservation say that poker is a game of skill—and a game of skill that I hope can be regulated just like day-trading one day soon.

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